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ARTICLES:

(1) Prime Minister Fukuda: Isolated leader with no advisors and little leeway

TOKYO SHIMBUN (Page 2) (Full)
March 26, 2008

By Taku Soka, reporter assigned to cover the prime minister

It is often said that Prime Minister Yasuo Fukuda makes decisions on his own without consulting with anybody. Since the time he served as chief cabinet secretary in the Koizumi government, he has hated information leaks. This has not at all changed even after he assumed the prime minister's post.

However, with this sort of method of doing things went wrong in the nomination of the new governor of the Bank of Japan, for Fukuda misread how the main opposition Democratic Party of Japan (DPJ) would respond to his pick. The friendly approach he took in the early days of the inauguration of his cabinet has now disappeared. He now appears to be distancing himself even from members of his own party.

To find out if the prime minister has any advisors, I tallied the number of persons with whom he had met in a day since the beginning of March. Chief Cabinet Secretary Nobutaka Machimura was the person who met with the prime minister the largest number of times. However, it cannot be said that even Machimura has played the role of Fukuda's advisor. Fukuda conveyed to Machimura his second choice for the BOJ governorship, Koji Tanami, president of the Japan Bank

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for International Cooperation, on March 18 at the same time that he presented his nomination to the Diet. After it had become certain that the top post at the central bank would be left vacant, a senior LDP member said:

"I wonder whether the chief cabinet secretary carried out coordination on the nomination for the BOJ chief. And I wonder whom the prime minister consulted with. I don't know the answer to either."

During dinner with LDP legislators on the evening of March 19, Fukuda said: "I presented to the Diet my nomination because a prominent DPJ member had said that BOJ Deputy Gov. Toshiro Muto would be a good choice for the post."

A mid-level lawmaker, who was disgusted with Fukuda's remark, noted: "(The prime minister) was wrong to believe what the prominent person had said." There were no signs of Fukuda having had discussed his nomination of Tanami for the BOJ governor with persons close to him. So, another senior LDP member said: "If I was asked about my view, I would have told him that he should not pick Tanami."

In the end, I concluded that the prime minister has no special advisors. Some LDP members call former Chief Cabinet Secretary Kaoru Yosano, who has no current government position, Fukuda's personal advisor. Yosano has often visited the prime minister's office. This means that Fukuda has no aides whom he trusts.

Six months have passed since Fukuda took office. He has now greatly changed in his attitude of responding to questions by reporters. He initially appeared before the press corps as scheduled and he made reporters laugh by making jokes. Recently, he has always been late for press briefings. The number of times he makes a joke has now decreased. When he receives questions that he dislikes, he often says "That question is nonsense." We reporters have often felt clearly that he is irritated at us. He shows us that he has little patience. As if symbolized by his selection of the new BOJ governor, the prime minister seems to have reached a dead end, having shouldered everything by himself.

(2) Six months into office, Prime Minister Fukuda in tight spot;
Bureaucrats not friends; Reconciliation might back fire

MAINICHI (Page 6) (Abridged)
March 27, 2008

By Tadashi Hitora, political news department

The administration of Prime Minister Yasuo Fukuda, who took office less than six months ago, is rapidly losing momentum. The appalling situation is ascribable to a variety of reasons, such as deadlocked talks with the major opposition Democratic Party of Japan (DPJ) under the divided Diet and low support rates for his cabinet. The prime minister also seems to have fallen into the trap as a result of putting too much trust in bureaucrats and misreading their true intentions. Bureaucrats are not friends. The prime minister must wake up and stop the countdown of his administration.

"A certain DPJ leader said that he would unite the four top executives. That's why I nominated Mr. Muto."

The prime minister reportedly made this comment to LDP executives

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after the House of Councillors had voted down the government's nomination of Toshiro Muto, a Bank of Japan deputy governor and former vice-finance minister, to become the new BOJ chief. The prime minister clearly misread the DPJ's move.

Both ruling and opposition parties are currently under fire for causing a vacuum in the top BOJ post. The exhibition of the Kantei's (Prime Minister's Office) lack of information and a kind of self-righteousness has dealt an especially serious blow to the prime minister. People have begun speculating that the Fukuda administration might be a "cabinet of friends" from the Finance Ministry and other government offices.

After Muto, the government nominated Koji Tanami, president of the Japan Bank for International Cooperation and a former vice-finance minister. That, too, pointed to the Finance Ministry's inward-looking logic. With Tanami, who was two years ahead of Muto at the Foreign Ministry, the BOJ would be able to maintain order. The practice of retired Finance Ministry and BOJ officials taking the BOJ helm in turn would also be revived. The observation also cropped up in the opposition camp that the government would eventually replace Tanami with Muto. "There aren't many qualified (candidates) out there," the prime minister said. His assertion that the Finance Ministry is the only place with people suitable for the central bank post is questionable.

In looking at the relationship between the Fukuda administration and senior government officials, attention must be paid to mistakes by former Prime Minister Shinzo Abe. The Abe administration actively appointed lawmakers as prime ministerial advisors with the aim of building a politician-led decision-making system. The administration also locked horns with central government agencies, especially with the Finance Ministry, over regulating golden parachuting as part of reform of the civil servant system. Direct access to the prime minister was limited to a handful of administrative vice ministers. Bureaucrats rarely visited the Kantei and the administration eventually became isolated.

Prime Minister Fukuda must have decided not to follow such an example. He has lifted the ban on visits to the Kantei by administrative vice ministers. He has adopted the approach of producing results while attaching importance to a consensus with government officials.

Feeling relieved with the improved relationship, bureaucrats in the Kasumigaseki district then rushed to recovering lost territory and ministry interests by taking advantage of the prime minister's approach. For instance, the Ministry of Land, Infrastructure and Transport (MLIT) produced last November a midterm road construction program based on the vision to build 14,000 kilometers of expressways, included in the 1987 fourth national development

program. During the former Koizumi administration, in which Fukuda served as chief cabinet secretary, there was skepticism even about a plan to build 9,342 kilometers of expressways. The MLIT has tactfully revived the road construction program and come up with 59 trillion yen in fiscal resources. The MLIT's action, couple with the lax use of road-related tax revenues, has decisively fueled the public's negative reaction to the maintenance of the provisional tax rates.

The same is true with the subject of unidentified pension account holders that prompted the former Abe administration to lose

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momentum. In addition, with the Ministry of Health, Labor and Welfare (MHLW) insisting that it only vowed to complete computer-aided checks by the end of March, no one is trying to take responsibility for the unidentified accounts that represent 40 PERCENT of the total. The prime minister is capitalizing on the MHLW's argument. Low public support for the Fukuda administration is closely associated with a lack of efforts by bureaucrats, as seen in the issue of drug-infected hepatitis C patients, which has been settled by lawmaker-initiated legislation, and the recent collision of an Aegis destroyer.

Needless to say, blindly bashing government officials in order to boost the administration's popularity is unacceptable. Nevertheless, defending their own organizations is the bureaucrats' top priority.

Reconciliation might back fire unless the government is directly connected with the public regarding a slogan, be it pension reform or decentralization. The government is simply parroting the DPJ's slogan of putting high priority on the people's livelihood.

In a recent meeting, the prime minister said: "I have just finished sowing the seeds and laying the groundwork. You will see the fruits six months, one year from today." Without a keeper, seeds are picked up by birds or they decay. A cabinet reshuffle would be his last chance to find suitable persons. Will his support base be strong enough until then?

(3) Interview with Hidanao Nakagawa, the shadow chief cabinet secretary -- Policy-oriented coalition has strong chance

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MAINICHI (Page 4) (Excerpts)
Evening, March 25, 2008

Former Chief Cabinet Secretary Kaoru Yosano described the conflict with Hidenao Nakagawa, a former secretary general of the Liberal Democratic Party, over economic policy as a high-class, vision-based contention, which is rare in the LDP. Mainichi senior writer Takakazu Matsuda sat down with Nakagawa, who is referred to as the shadow chief cabinet secretary, and asked him questions about his visions, management of the Diet, and political realignment.

-- The Bank of Japan governorship remains unfilled, the first case in postwar history. The media initially were critical of the Democratic Party of Japan. They are now questioning the leadership of Prime Minister Yasuo Fukuda.

Nakagawa: As a former newspaper reporter, I pay close attention to editorials in the six major newspapers. The DPJ has not been affected by them, however. What is most important in selecting candidates for a job is not "who" but "what must be done." The ruling and opposition blocs must reach an agreement on what is happening in the world and what we should do about the Japanese economy. But the DPJ has no macroeconomic policy. My impression is that difficulties have resulted from a lack of criteria on reaching an agreement.

-- You knew all along when the tenure of the BOJ governor would expire, so you should have taken steps earlier.

Nakagawa: I hear that while waiting for the DPJ's decision, (the DPJ) said 'put off the matter a little.' Mr. Fukuda also looked for

private-sector candidates, but no one accepted the offer. At a time

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like this when the chiefs of central banks of major countries must work closely in dealing with the financial crisis, Mr. Fukuda must keep continuity of the top BOJ post.

-- The DPJ's failure to launch a grand coalition last year has pushed the party toward a confrontational policy course.

Nakagawa: When Mr. (Ichiro) Ozawa of the DPJ opted for a grand coalition, those who are not close to him raised objections. Conversely, when the anti-Ozawa group says that the party should aim at an agreement among opposition parties, Mr. Ozawa applies pressure on them. Dissolving the Lower House in April is the only option the two sides can agree on, so everything tends to plunge toward that destination. Lower House dissolution has now become the party's ultimate goal rather than policies.

-- The provisional tax rate funding road projects that is slated to expire on March 31 is another reason why the Diet is in turmoil

Nakagawa: To be honest, I don't know what will happen. The DPJ's manifesto enshrines the introduction of measures to combat global warming. So we should be able to reach an accord from the viewpoint of turning the provisional tax into a green tax. We could propose designing the system first while leaving the provisional tax of 25 yen intact, or we could also reexamine the 59 trillion yen mid-term road-improvement plan. We can reach a conclusion based on the option of allocating road tax revenues for general expenditures in fiscal 2009 or 2010. But this, too, the DPJ has linked to Lower House dissolution.

-- Mr. Yosano thinks even the consumption tax rate must be raised in order to restore fiscal health. In contrast, Mr. Nakagawa, you think there is no need for tax increases when the country is in a growth path.

Nakagawa: The LDP fiscal reform study group chaired by Mr. Yosano calls for turning the consumption tax into a social insurance tax instead of aiming at tax increases for restoring soundness in the nation's finances. But can a consumption tax bill clear the Diet without the ruling and opposition blocs reaching an agreement on the re-designing of the social security and pension systems? If a doshu (regional bloc) system were introduced, the right to impose the consumption tax would rest with local governments and the right to redistribute the tax revenues under the nationwide pension system would rest with the central government. How should such a situation be handled?

In my view, we must first get the economy out of deflation, then reduce the government's assets, and then trim spending. Discussion on the consumption tax rate should come after an agreement is reached between the ruling and opposition blocs on the re-designing of the social security system. I am against the idea of raising taxes just for the sake of restoring fiscal health, and Mr. Yosano also thinks tax hikes just for restoring soundness in the nation's finances will not succeed. So we agree on that point.

-- Mr. Yosano's study group has concluded that there is no special slush fund known as the "buried treasure" in the special accounts, but you rebutted it.

Nakagawa: I have been grappling with the buried treasure issue since I was the policy research council chairman. Reform of the special

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accounts under the Administrative Reform Promotion Law of 2006 requires the contribution of 20 trillion yen in a five-year period for restoring fiscal health. In the fiscal 2008 budget, 10 trillion yen will be allocated for redeeming government bonds from the revenue fund in the government's loan special account. Although the "buried treasure" cannot be a continuous fiscal resource, it should not be left as is. There is still some more left and I will reveal

it in April or later.

-- The rate of support for the Fukuda cabinet stands at 30 PERCENT and the disapproval rate at 50 PERCENT . The administration is a step short of the terminal phase.

Nakagawa: The disapproval rate is 50 PERCENT , yet support for the DPJ, which aims at the next administration, is not high either. I don't think the public wants a change in government.

-- Images of party heads are vital under the single-seat constituency system. What do you think should be done to boost Mr. Fukuda's popularity?

Nakagawa: Mr. Fukuda has a strong will. He is the kind of person who advances matters gradually by indirect means. But coming this far, he has no other option but to play up his strong resolve, something like the torch of reform, toward the public. He should press the DPJ, saying, "I want to accomplish this. Are you with me or against me?" He should declare in the end, "I want to hear the voice of the people." I have told him that he should clarify what he will be aiming at in April or later.

-- What is your view of a grand coalition and political realignment?

Nakagawa: We could attach a deadline to the option of forming a grand coalition and then face the following election under a two-party system. In view of the election system, political realignment would not be easy under a two-party system. A policy-based coalition has the highest chance. It is the approach of taking proposed policies back to each party, like the supra-partisan parliamentary group "Sentaku" is doing, to enact them with a "Diet coalition." That's my proposal.

-- Your book titled Ageshio no Jidai (An Era of Rising Tides) has been published in China. Diplomacy and security are a key element in political realignment.

Nakagawa: It is lawmakers' mission to comprehensively work to develop a society so that it will not produce any underdogs. That is what ageshio means. The ship rises when the tide rises. Giving due consideration to the weak is basic to any administration. The idea of aiming at such a goal can be categorized as "liberal" and any initiative that does not aim at achieving that can be referred to as "conservative." But that is not the real question. The questions should be whether we have a politician-led decision-making system or bureaucrat-led system, reform or non-reform, opening the nation's doors or opting for isolation, and the choice between growth or stagnation. Diplomacy is not about placing emphasis on Asia or the United States. If you were to ask me, "Are you a hawk or dove?", I would say I am an eagle.

(4) DPJ Ozawa changes course to topple Fukuda cabinet

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ASAHI (Page 4) (Full)
March 26, 2008

Democratic Party of Japan (DPJ) President Ozawa has made a declaration of breaking away from Prime Minister Fukuda, although the two once discussed a "grand alliance" scheme between them. Just at the time when the view of avoiding the dissolution of the House of Representatives for the time being is gaining influence in the ruling camp, due to rapidly plummeting public support for the Fukuda cabinet, Ozawa has changed tactics to the goal of forcing the cabinet to resign en masse. If a new prime minister is installed and the atmosphere for an early dissolution develops, Ozawa may feel he can keep a grip on his party.

Assumption of battle with next LDP president

In a press conference yesterday, Ozawa severely criticized Prime Minister Fukuda's six months in office, saying: "Over the past six months, there was no case at all in which the prime minister

presented his own views, principles, and policy and then took action." He also said: "He is in the top post in the ruling camp and has a responsibility to make final adjustments. I wonder what he has been doing as the president of the ruling camp." Until now, Ozawa repeatedly attacked the Fukuda government, but he has begun to openly criticize the prime minister himself. Some observers interpret Ozawa's about-face as a declaration of his policy switch from pressing for dissolution of the Lower House to moving to topple the cabinet.

In the next general election, the person whom Ozawa regards as his rival has been Fukuda. On March 12, when the DPJ decided to disapprove of the government's plan to appoint Bank of Japan (BOJ) Deputy Governor Muto as governor, Ozawa reportedly nodded his head in assent when his colleague told him: "Mr. Fukuda is helpless now, is he?" In a meeting held on the night of March 14 by DPJ members serving two terms in the Lower House, Ozawa referred to a resignation of the cabinet en masse for the first time, saying: "The Fukuda cabinet no longer has the strength to dissolve the Lower House. His cabinet might be pressed to resign en masse." A veteran lawmaker close to Ozawa conjectured: "Ozawa might be waiting for the time when the LDP decides to dissolve the Lower House after Taro Aso or another popular lawmaker succeeds Fukuda to the premiership and contributes to raising public support for the party." Under the current situation, Prime Minister Fukuda will never use his right to dissolve the Lower House. Ozawa's strategy is to unseat the cabinet at an early date even if a person capable of garnering votes becomes prime minister. Ozawa might be afraid that if the possibility of dissolution moves away, he might lose his grip on the party.

Another close aide said that Ozawa's instinct might be prompting him to unseat the cabinet, saying: "There is no much time leeway for Mr. Ozawa. He may have to fight with his back to the wall next."

Aim at maintaining grip on party

Over the past six months, the key to the political situation lay in what relationship might be established between the prime minister and Ozawa.

DPJ members were beset with doubts and fears about ties between the two after the fiasco over Fukuda's grand coalition proposal. The sense of alarm in the party resulted in enhancing Ozawa's presence

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in it.

When the issue of selecting a new BOJ governor was first floated, Ozawa initially said: "I will not make a judgment that would cause economic confusion," according to his close aide. As seen by this remark, Ozawa reportedly had crafted a strategy on the premise that he would approve the government's plan to promote Deputy Governor Toshiro Muto. In early February, when an economist advised Ozawa to support the Muto plan, Ozawa only said: "I understand." In the DPJ, however, an increasing number of members strongly reacted to Ozawa's move to approve the Muto appointment. The situation became such that it looked light Ozawa might lose momentum and that a yellow warning light might flash on for his candidacy in the DPJ presidential race in September if the situation was left unattended.

To turn the tables, Ozawa announced on Feb. 25 that he had rejected a proposal by the prime minister's aides for holding party head talks. With this announcement, the hotline between Fukuda and Ozawa was actually cut off. Four days later, the ruling camp forcibly passed the budget bill through the Lower House. In strong reaction to this, Ozawa began to take a confrontational stance against Fukuda.

Even so, Ozawa seemed to believe that the hotline to Fukuda has not been cut off yet. On March 3, Ozawa grumbled to his aide: "He has yet to present a plan to nominate Mr. Muto. He must be having a difficult time. He should fully consider what to do." At that time, Ozawa intended to judge how to deal with the situation upon seeing whom Fukuda would nominate.

But Fukuda came up with the Muto plan. Seeing this, Ozawa declared

his opposition to the plan in a meeting of the four party executives on March 11, although he had said: "I will leave a judgment in the hands of the secretary general and the Diet Affairs Committee chairman."

Ozawa's old colleague who has long taken action with Ozawa as a lawmaker commented on him: "He has always been a political maneuverer." But once he cut off contact to Fukuda and began to move to topple the cabinet, he could not retrace his steps. In an interview held after the turmoil over Fukuda's grand coalition proposal, Ozawa said that if he turned down the coalition proposal, both sides would enter a fight to the death. As he predicted, the political situation is about to enter such a phase.

(5) Ibuki-Hatoyama meeting on new BOJ governor may occur in the week; DPJ concerned about public criticism of vacancy in BOJ helm

NIKKEI (Page 2) (Full)
March 27, 2008

The main opposition Democratic Party of Japan (DPJ or Minshuto) is going to accept the ruling Liberal Democratic Party's (LDP) proposal to hold a meeting of their secretaries general later this week regarding the selection of new governor of the Bank of Japan. The DPJ has made the decision with an eye on a meeting on monetary policy and a meeting of Group of Seven (G7) finance ministers and central bank governors -- both of which are slated for April. The largest opposition party has judged that it might come under criticism from the public if it continues to reject consultations with the LDP. Meanwhile, the government and ruling parties are increasingly nervous about the moves of the DPJ, out of concern that

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they may be forced to make substantial concessions.

LDP Secretary General Bunmei Ibuki had called on his DPJ counterpart Yukio Hatoyama to hold a meeting. Yesterday Hatoyama discussed the matter with party head Ichiro Ozawa, and Ozawa told him: "Please hold a meeting." (Prior to his meeting with Ibuki) Hatoyama plans to meet with the secretaries general of the Japanese Communist Party, Social Democratic Party and the People's New Party. Once he gets their approval, he will hold a meeting with Ibuki this week.

Although the central bank under the initiative of Shirakawa as acting BOJ governor got started on March 21, discussion on the selection of a new BOJ governor has been suspended due to the confrontation between the ruling and opposition camps over whether the provisional tax rates should be scrapped or retained. There is a growing mood in the largest opposition party with an eye on the G7 meeting that it is inadvisable to allow the party to be blamed for the fact that no decision has been made.

Yesterday Hatoyama emphasized to the press: "I'm pleased to convey to the LDP (the DPJ's) basic view on the premise that there should be no intervention in the power to appoint personnel." He then revealed the view: "I would like to do my best so that the new BOJ governor will be appointed before the international meeting in mid-April."

However, there is no guarantee that the planned Ibuki-Hatoyama meeting will break the impasse. Based on the fact that the Upper House rejected the prime minister's first and second nominees -- Toshiro Muto and Koji Tanami -- for the top post at the central bank, the government and ruling coalition intend to present a third nominee after keeping close watch on the DPJ's moves. Hatoyama revealed in the party his position of going along with such candidates as Hiroshi Watanabe, advisor to the Japan Center for International Finance (JCIF) and a former vice finance minister for international affairs, and Asian Development Bank President Haruhiko Kuroda, a former vice finance minister for international affairs. However, some DPJ lawmakers are raising objections to Hatoyama's view, with a senior party member saying: "I don't want to see a situation in which the party will accept anyone who has not served previously as an administrative vice finance minister."

If the standoff intensifies between the ruling and opposition blocs

over the issue of whether the provisional rates should be scrapped or maintained, chances are that Fukuda will be unable to present his nomination. Some government officials have doubts about whether they should trust what senior DPJ members have said.

Fukuda told the press corps last night: "It is best to make a decision early, but I should avoid a situation in which the next candidate would be rejected by the Diet. I am now considering it from various angles."

(6) Interview with Deputy DPJ President Naoto Kan about stalemate in Diet: Dissolving Lower House essential to see what the public desires

YOMIURI (Page 4) (Abridged)
March 26, 2008

Interviewer: Kohei Kawashima

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-- The government's proposed choice as a new Bank of Japan (BOJ) governor was rejected twice in the Upper House.

Kan, deputy president of the major opposition Democratic Party of Japan (DPJ): Prime Minister Fukuda appears to me that he has yet to realize the fact that the opposition parties dominate the Upper House, even though the ruling bloc controls the Lower House. He has failed to realize the tough situation in the current divided Diet, where nothing will go forward unless the opposition bloc gives the nod to the ruling camp. The prime minister lacks a sense of tension. I believe that is a major reason on the part of the ruling parties why the Diet has failed to go smoothly. It's the prime minister's misjudgment that he suggested former vice finance ministers twice as a candidate for the top BOJ position despite the DPJ's assertion that it is not desirable for the Ministry of Finance (MOF) to control the BOJ.

-- If your party wanted to convey the opposition bloc's desire to the ruling bloc, why did the DPJ refuse to have a teleconference between Prime Minister Fukuda and DPJ President Ozawa?

Kan: In general, it is common to hold a one-on-one meeting of the heads of the parties when a final accord is likely to be reached. I think it is risky to have such a meeting despite a gloomy outlook or when no prior talks were held. If President Ozawa rejects the prime minister's proposal, he would be criticized. And if Ozawa suddenly accepts the prime minister's proposal, the DPJ members would say, "Why?" I think it was a reasonable judgment that our party's Diet Affairs Committee Chair Kenji Yamaoka turned down a proposal by the ruling Liberal Democratic Party's (LDP) Diet Affairs Committee Chair Tadamori Oshima for holding a party head meeting.

-- Won't your party give the nod to the so-called tax system-related bills unless the ruling bloc "swallows" your party's assertions, such as scrapping the provisional tax rate for gasoline?

Kan: Holding talks is no problem, but we have not felt at all the ruling bloc's enthusiasm to do so. This is the same as we have felt in the selection of a new BOJ governor. The ruling bloc's revised proposal, I think, is tantamount to telling us to "approve it as is."

-- If the ruling parties put the tax system-related bills to a revote, does your party plan to submit a censure motion against the prime minister?

Kan: Such a possibility cannot be ruled out. Some 70 PERCENT of the public is supportive of scrapping the provisional tax rate. If the DPJ's bill is approved but the government-sponsored bill is rejected in the Upper House, I wonder whether it is possible for the ruling bloc to put the government's bill to a revote under the "two-third" provision in the Lower House. In the eyes of the Upper House, the Lower House will be then viewed as not representing the will of the public. It is only natural for us to insist that the Lower House be dissolved for a snap general election to listen to the public's

opinions.

-- There is the criticism that the DPJ is prioritizing political struggle.

Kan: Political struggle is not necessary wrong. Differing policy proposals would lead to a kind of political struggle. Now both

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parties have differing policy proposals, so our party asserts that this situation be settled by a general election.

-- The Diet's inability to make a decision leads to the public's distrust of politics.

Kan: It is not that this is a political stalemate but that we are going through a hard time before reform can be realized. Once reform of the tax revenues for road projects is realized, politics will again function. I would like everybody to understand this point.

(7) Papers on SDF officer sent to prosecutors over info leak to reporter: Media concerned about negative impact on press coverage; Info control out of consideration for U.S.

ASAHI (Page 38) (Abridged)
March 27, 2008

The Ground Self-Defense Force's police command authorities have now sent papers to the prosecutors regarding the case of an Air Self-Defense Force staff officer who is alleged to have leaked confidential defense information to a Yomiuri Shimbun reporter. The

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government is now stepping up its information control. Meanwhile, the final decision on whether to indict the ASDF officer is being left to the Tokyo District Public Prosecutors Office. If the ASDF officer faces a criminal charge, press coverage will inevitably be affected.

A Defense Ministry official, meeting the press yesterday, briefed them on the ASDF officer's information leak. The official, however, avoided specifying developments in the GSDF police's investigation.

"Is the reporter not being charged with instigating?" "Was the investigation appropriate?"

There were questions from the press about the investigation's justifiability and purpose. However, the Defense Ministry official reiterated, "I cannot answer anything specific about the investigation."

The Defense Ministry official did not accurately clarify even the charges. The press conference, which started at 6 p.m., was therefore called off. In the reopened press conference, however, the official did not give any specifics. "We've been told by the Tokyo District Public Prosecutors Office's Public Security Department not to say anything about this, so I cannot say anything about it."

The investigation will now focus on whether the Tokyo District Public Prosecutors Office's Public Security Department will indict the ASDF colonel. However, the GSDF police command has so far not questioned the Yomiuri Shimbun reporter, to whom the colonel allegedly leaked the information.

The colonel has now admitted to the allegations. However, it is difficult to sustain a court trial of the colonel without investigating the reporter. The investigation could end up with a suspended indictment.

In criminal investigations, it is a natural procedure for police to send papers to prosecutors on a case where police went so far as to search a suspect's house. In the incident this time, the then Defense Agency reported the case to the GSDF police with its

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suspects unknown. The GSDF police therefore had to send papers to prosecutors.

Even so, the GSDF police command has gone so far as to send papers to prosecutors on the incident this time. This could greatly affect press freedom, so news reporters and media experts are voicing their concerns about its negative impact. There is no doubt that it will shrink both news reporters and their sources.

In the incident this time, the GSDF police command sent papers to prosecutors for there was a request from the United States to make the Self-Defense Forces' information control stricter. In addition, this action also reflects the Japanese government's stance of giving priority to information security as a critical policy theme.

In the case of the incident this time, the colonel leaked the information to the reporter, whom the reporter got to know through a female employee at the U.S. Embassy in Tokyo. The United States took this seriously. The U.S. government called on the Defense Ministry to take drastic countermeasures in order to prevent similar incidents, as well as a Maritime Self-Defense Force lieutenant commander's leak of data about an Aegis ship.

In connection with the leak of Aegis data, the Defense Ministry punished 61 persons on Mar. 21 (excluding the lieutenant commander currently under indictment). The Defense Ministry then implied strong consideration for the United States, taking the position that the incident could affect not only the bilateral security arrangement but also Japan's relations with other countries. There was another factor. In August last year, the Japanese and U.S. governments signed the General Security of Military Information Agreement (GSOMIA), which stipulates procedures to prevent military secrets from leaking.

SIPDIS

(8) Editorial: Amendment of Antimonopoly Law should be based on principle of giving priority to consumer interests

MAINICHI (Page 5) (Full)
March 26, 2008

A bill amending the Antimonopoly Law has been placed on the Diet agenda. The bill calls for broadening the applicable scope of administrative surcharges and imposing higher surcharges on companies that play a leading role in price-fixing cartels or other illegal practices.

A leniency system was introduced when the law was amended last time. Under the system, immunity from criminal prosecution or a reduction in surcharge payments are applied to companies that voluntarily report illegal activities to authorities. This system has produced considerable results in such forms as reducing costs for projects commissioned by public institutions.

The new bill on the agenda proposes increasing the number of companies applicable to the leniency system from the current three to five in one case.

The bill also include a measure to hike by 50 PERCENT the administrative surcharge on companies that urge other firms to take part in cartels or other illegal acts. In the case of large companies, the FTC will raise administrative surcharges from the current 10 PERCENT to 15 PERCENT of the proceeds from illegal

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practices.

To eliminate bid-rigging and cartels, it is necessary to show that such practices do not pay. We expect that the measures to increase companies applicable for the leniency system and impose heavier surcharges on main offenders will work effectively to prevent illegal acts.

A significant change in the competitive environment surrounding

companies also prompted the FTC to amend the law.

Besides big-rigging and cartel cases, the new legislation will also enable an administrative surcharge to be levied on market-dominating companies that attempt to shut out competitors or block new players' access.

The broadened scope of acts subject to fines includes dumping, several companies' joint refusal of transactions, and false labeling.

As measures to protect small retailers from being affected by price-cutting competition from large retailers, the Liberal Democratic Party asked the Fair Trade Commission (FTC) to also include dumping practices among the acts subject to fines.

Even so, it is difficult to judge which acts are defined as dumping. Giving consideration to consumer interests is also necessary. Further, measures to prevent repeated violations by the same companies are also incorporated in the bill. In implementing the measures, though, prudence will be needed.

Meanwhile, the bill proposes reviewing the current verdict-assessment system (shinpan seido), which is a major challenge. Under the system, the FTC judges whether penalties should be imposed on companies accused of violating the Antimonopoly Law. The economic world has criticized the system, claiming that the FTC is acting as both prosecutor and judge.

The FTC plans to scrap the current verdict-assessment system and entrust judgments to the court. However, some critics question whether the court will be able to make a proper judgment in such cases as corporate mergers.

We know that the new bill was worked out after a number of compromises were made. But the viewpoint of consumers should be the basis of competition policy, and we hope that from such a point view, the competitive environment will be improved.

(9) Boycotting Beijing Olympics takes on an air of feasibility; What should Japan do?

TOKYO SHIMBUN (Page 28) (Full)
March 27, 2008

French President Sarkozy said he might boycott the Opening Ceremony of the Beijing Olympics with an eye on how the Chinese government deals with the riots in Tibet. Human rights organizations have already raised their strong opposition to participation in the Beijing Olympics. Now, the option of boycotting the Beijing Olympic Games is becoming more than a mere threat. Japan cannot just sit on the fence indefinitely. Which direction should Japan move in?

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International community critical of China's crackdown in Tibet

A large riot occurred in Lhasa, Tibet. Chinese authorities crushed it using force but they then came under strong fire from the rest of the world. French Foreign Minister Kouchner declared that aside from the games, the heads of the European Union (EU) nations "should consider boycotting the Opening Ceremony of the Olympics." The EU also issued its president's statement calling on China to "restrain its use of force to deal with protestors."

According to the German daily Bild, German Foreign Minister Steinmeier cited the 1936 Berlin Olympics, which was used by Hitler as a tool for propaganda of Nazi Germany and noted that it would be impossible in the present-day world for China to host the Olympic Games, while continuing its crackdown in Tibet.

The Berlin Olympics was not boycotted by any country, but Jewish players in the United States boycotted the domestic preliminaries. A group opposing Nazi Germany planned to host a "Human Olympics" in Barcelona, Spain, as part of the campaign to boycott the Berlin Olympics at a time of its opening. Although this plan was cancelled

because of the outbreak of civil war in Spain, several thousand people nonetheless took part in the Human Olympics.

Among the past Olympic Games that were actually boycotted by some countries, the Moscow Olympics in 1980 was well known. The Soviet Union's invasion of Afghanistan the previous year brought a strong reaction from the United States. Western countries, including Japan, boycotted the Moscow Olympics. In reaction, the 1984 Los Angeles Olympics was boycotted by the Soviet Union and East European countries on the grounds of America's invasion of Grenada.

The riots in Tibet this time are basically in the same context as the time when China invaded Tibet, although that happened 51 years ago. The Hsinchian Uighur Region to the north of the Tibet Autonomous Region also was invaded by China in the past. This region could become another flashpoint to oppose the Beijing Olympics.

Although there are no concrete moves to boycott the Beijing Olympics themselves at present, depending on China's response to Tibetan riots in the days ahead, the possibility of a boycott of Olympics could arise.

"Moscow Olympics" as trauma for Japan

What should Japan do?

Akemi Masuda, a sports journalist and former marathon runner who took part in the Los Angeles Olympics spoke for other athletes: "Those Japanese athletes who were chosen to join the national team at the Moscow Olympics still suffer trauma. The Olympic Games are the supreme opportunity for athletes to display their skills. For those who have been training for four years before the Olympics, it is too hard to have to wait another four years. Boycotting the Olympics must be avoided."

However, speaking of Chinese authorities, who are trying to use the Olympics as a political tool as symbolized by a plan for the torch relay to climb Mt. Everest, Masuda said: "Now may be the time to again confirm the fundamental spirit of the Olympics. The International Olympic Committee and the International Association of Athletic Federations need to urge China to remember the starting

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point of the Olympic Games."

Journalist Shoko Egawa supports the idea of boycotting the Olympics. She argued:

"There are people who have been oppressed, lost their identities, and have spilt blood. Obviously there have been violations of human rights. Winking at such things is a violation of human rights just like ignoring it when someone is being bullied even though you are witnessing it. I feel sorry for the athletes, but I think Japan should boycott at least the Opening Ceremony."

Japanese politicians are mum on the matter. Egawa complained about such attitudes, noting, "Because of their silence, they are looked down on by other countries. I don't think they need to face up to China squarely, but Japan should say what it should say and it should do what it should do so."

SCHIEFFER